

Federal Court



Cour fédérale

**Date: 20200409**

**Docket: T-23-19**

**Citation: 2020 FC 508**

**Ottawa, Ontario, April 9, 2020**

**PRESENT: The Honourable Madam Justice Fuhrer**

**BETWEEN:**

**ARTERRA WINES CANADA, INC.**

**Applicant**

**and**

**DIAGEO NORTH AMERICA, INC.**

**Respondent**

**JUDGMENT AND REASONS**

I. Introduction

[1] Pursuant to subsection 56(1) of the *Trademarks Act*, RSC 1985, c T-13 [TMA], the Applicant Arterra Wines Canada, Inc. [Arterra or Opponent], the owner of NAKED GRAPE in Canada as detailed below, appeals the October 31, 2018 decision of the Trademarks Opposition Board [TMOB] made on behalf of the Registrar of Trademarks [Registrar]: *Arterra Wines Canada, Inc v Diageo North America, Inc*, 2018 TMOB 134 [Arterra Wines]. The TMOB

rejected Arterra's opposition to co-pending trademark application Nos. 1,561,944 for THE NAKED TURTLE ['944 Application] and 1,592,265 for THE NAKED TURTLE Design – front label ['265 Application], but refused co-pending trademark application No. 1,592,266 for THE NAKED TURTLE Design – back label ['266 Application]. The '266 Application is not at issue in this appeal.

[2] For the reasons that follow, I allow the appeal and refuse the '944 Application and the '265 Application.

## II. Background

[3] On January 30, 2012, the Respondent, Diageo North America, Inc. [Diageo], filed the '944 Application for the word mark THE NAKED TURTLE based on proposed use of the mark in Canada, initially in association with “alcoholic beverages except vodka and beers”. This application had a convention priority filing date of December 21, 2011. It was amended on August 21, 2012 to redefine the goods as “rum and rum-flavoured beverages (vodka and beer excluded)”. The application then was advertised on January 23, 2013 and opposed on June 23, 2013 by Constellation Brands Canada, Inc. [Constellation Canada or Opponent], which later became Arterra as described below. The '944 application was amended again on June 4, 2015 to redefine the goods as “distilled spirits, namely rum and rum-flavoured beverages (vodka and beer excluded)”.

[4] On August 30, 2012, Diageo filed the '265 Application for the design mark THE NAKED TURTLE Design – front label also based on proposed use of the mark in Canada,

initially in association with “alcoholic beverages (except vodka), rum and rum flavoured beverages”. It was amended on May 7, 2013 to redefine the goods as “alcoholic beverages, namely rum and rum flavoured beverages”. The application then was advertised on November 6, 2013 and opposed by Constellation Canada on November 29, 2013. It was amended again on June 4, 2015 to redefine the goods as “distilled spirits, namely rum and rum-flavoured beverages”. This applied for mark is depicted immediately below:



[5] Constellation Canada opposed both applications pursuant to TMA ss 38(2)(b)/12(1)(d) [non-registerability], 38(2)(c)/16(3)(a) [non-entitlement] and 38(2)(d)/2 [non-distinctiveness], on the basis the applied for trademarks are confusing with the [registered] trademarks NAKED GRAPE [registration No. TMA659,543 for wines, wine spritzers, icewine], NAKED GRAPE & Grape Design [registration No. TMA720,829 for wines] and NAKED GRAPE FIZZ [registration No. TMA795,352 for wine]. [Three additional grounds of opposition based on TMA ss 38(2)(c)/16(3)(b) [pertaining to the ‘944 Application], 38(2)(a)/30(e) and 30(i) are not in issue before this Court.] The particulars of the opposition grounds as summarized by the TMOB are reproduced in Annex A to these Reasons. Arterra continued these oppositions after a change in title was recorded against these [and other] trademarks with the Canadian Intellectual Property

Office [CIPO] on July 27, 2017, and the Statements of Opposition subsequently were amended, with leave of the TMOB, to name Arterra as the Opponent [with an intervening change in title to a numbered company].

[6] Constellation Canada filed as its Rule 41 evidence [under the *Trade-marks Regulations*, SOR/96-195 or the “Rules”] the affidavit of Steven Bolliger, Senior Vice-President, Marketing of Constellation Canada, sworn March 7, 2014 [‘944 Application] and July 25, 2014 [‘265 Application]. I note these affidavits are substantially similar and only one cross-examination of Mr. Bolliger was conducted, with the transcript and subsequent answers filed in both oppositions.

[7] Diageo filed as its Rule 42 evidence the affidavits of: (i) Scott Schilling, sworn April 8, 2015 [‘944 Application] and August 21, 2015 [‘265 Application] [Mr. Schilling’s title in the earlier affidavit was stated as Vice President, Spirits and Innovation of Diageo, while in his later affidavit it had changed to Senior Vice President, North America Innovation]; (ii) Bruce Wallner, Master Sommelier, sworn April 2, 2015 [the same affidavit was filed for both oppositions]; (iii) Peterson Eugenio, Trademark Searcher, sworn April 9, 2015 [both the ‘944 Application and the ‘265 Application] and August 10, 2015 [‘265 Application]; and (iv) Dane Penney, Trademark Search Specialist, sworn April 9, 2015 [both the ‘944 Application and the ‘265 Application] and August 10, 2015 [‘265 Application]. With the exception of Mr. Wallner’s affidavit, which is identical in each case, I note the two affidavits of each of the other affiants are substantially similar. Only one cross-examination of each affiant was conducted, with the transcripts and subsequent answers filed in both oppositions. Diageo also was granted leave

under Rule 44 to file a certified copy of registration No. TMA885,729 for SIMPLY NAKED for wine.

[8] Constellation Canada did not file any Rule 43 reply evidence in either case, and only Constellation Canada filed written arguments. The TMOB heard the oppositions together on June 13, 2018; by that time, Arterra was recorded as the Opponent. As mentioned, the TMOB rejected Arterra's oppositions to the '944 Application and the '265 Application [while it refused the '266 Application] on October 31, 2018, and transmitted its decision to parties on November 8, 2018. As an aside, I note the TMOB dealt separately with two other oppositions by Constellation Canada involving two related co-pending applications by Diageo: *Constellation Brands Canada, Inc v Diageo North America, Inc*, 2018 TMOB 133 [*Constellation Brands*].

### III. TMOB Decision under Appeal

[9] The TMOB noted the initial evidentiary burden on an opponent [Arterra] to support the allegations in its Statement of Opposition: *John Labatt Limited v The Molson Companies Limited* (1990), 30 CPR (3d) 293 (FCTD) at 298. Once the facts are proven sufficiently, consideration then turns to the legal onus an applicant for registration [Diageo] to prove its case [i.e. that the application does not contravene the provisions of the TMA as alleged by an opponent]. If a determinative conclusion cannot be reached on an issue, the issue must be decided against an applicant.

[10] Next, as a preliminary matter, the TMOB found Mr. Wallner, Master Sommelier was not qualified to render an opinion on whether the public would be confused by the trademarks at

issue, as he was not an expert in human behaviour: *Now Communications Inc v CHUM Ltd* (2003), 32 CPR (4th) 168 (TMOB) [*Now Communications*] at para 13. Further, Mr. Wallner's assessment of the inherent distinctiveness of either party's trademarks was not considered relevant, as he did not provide evidence on what the casual consumer of wines and spirits would understand regarding the meaning of the term "naked" [i.e. as wines that are natural, or spirits that are pure, unadulterated, and usually unoaked], did not conduct any surveys, and acknowledged in cross-examination that he would have a more complete understanding of the terminology than the average consumer. Instead, he relied on his own personal and professional conversations and experiences which, in the TMOB's view, did not approximate the buying experience of the average consumer for alcoholic beverages. Given these concerns, the TMOB concluded Bruce Wallner's affidavit was not relevant, and hence inadmissible: *R v Mohan*, [1994] 2 SCR 9 (SCC).

[11] Notwithstanding Diageo's submission on appeal that Mr. Wallner's evidence regarding the meaning of "naked" in the wine industry in Canada is corroborated by other evidence, and hence is relevant, I agree with the TMOB's conclusion regarding the Wallner affidavit. In my view, the TMOB's assessment is in line with the Supreme Court of Canada's guidance on expert evidence in *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 [*Masterpiece*] at paras 80-99; as noted at para 92: "They [the trier] should use their own common sense, excluding influences of their 'own idiosyncratic knowledge or temperament' to determine whether the casual consumer would be likely to be confused". I therefore find there is no reason to disturb this conclusion of the TMOB on appeal, under either the correctness or palpable and overriding error standard of appellate review discussed in greater detail below.

*'944 Application Findings*

[12] The TMOB noted the application filing date [i.e. January 30, 2012] as the material date for assessing the TMA ss 30(e) and 30(i) opposition grounds. It rejected these grounds for lack of evidence, and noted there was no allegation of bad faith in respect of the TMA s 30(i) ground. I agree with the TMOB's findings regarding these grounds. I further note that none of the parties' new evidence, discussed below, is directed to these grounds and hence, these findings also remain undisturbed on this appeal.

[13] The TMOB next turned its attention to the TMA s 12(1)(d) opposition ground and noted the date of its decision [i.e. October 31, 2018] as the material date for assessing this ground: *Park Avenue Furniture Corporation v Wickes/Simmons Bedding Ltd and The Registrar of Trade Marks* (1991), 37 CPR (3d) 413 (FCA) [*Park Avenue*]. The TMOB considered that the Opponent's best case was the registered trademark NAKED GRAPE, registration No. TMA659,543, which was the primary focus of the TMOB's confusion analysis. In other words, if Arterra were not successful on this mark, it would not be successful on the others.

[14] Referring to the confusion test articulated in TMA s 6(2), the TMOB noted the TMA s 6(5) criteria, including all relevant surrounding circumstances, are not exhaustive and different weight may be given in a context-specific assessment; that said, the resemblance between the marks often has the greatest effect on the confusion analysis: *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 [*Mattel*] at para 54; *Masterpiece*, above at para 49. For a summary of how the test

is to be applied, the TMOB referred to the following excerpt from *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23 [*Veuve Clicquot*] at para 20:

“The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the [mark] at a time when he or she has no more than an imperfect recollection of the [prior] trade-marks and does not pause to give the matter any detailed consideration or scrutiny, **nor to examine closely the similarities and differences between the marks.**”  
[Bold emphasis added]

[15] The TMOB found both trademarks NAKED GRAPE and THE NAKED TURTLE inherently distinctive. A consumer may conclude, *after consideration*, that the word NAKED in the context of a beverage like wine or rum suggests that it was not aged in an oak barrel. The average consumer would not likely take more than casual care, however, to observe the meaning of the word “naked” as unoaked, *as a matter of first impression*, even where described as such on NAKED GRAPE labels: *Coombe v Mendit Ltd* (1913), 30 RPC 709 (Ch D) [*Coombe*] at 717, cited in *Mattel*, above. Nor did the evidence show the casual consumer was educated that “naked” means unoaked, “as opposed to the Opponent using a risqué word to position its product in a fun, cheeky manner”. The TMOB also was not persuaded that third party brands in Canada such as Chardonaked, Naked Pig Pale Ale, and Skinny Girl Naked Vodka did not lead to the inference that the casual consumer understands the word “naked” describes a product as unoaked.

[16] The TMOB noted the Opponent is Canada’s largest producer, marketer, and distributor of wines: its NAKED GRAPE line of wines has been available since October 2005, and from 2008-2013 annual Canadian sales have fallen in the range of \$16-26 million while advertising expenditures for the period totalled nearly \$10 million. Evidence of lengthy and extensive



promotion and use in Canada of the trademark NAKED GRAPE, as further summarized in paragraph 24 of its decision, permitted the TMOB to conclude that such mark was quite well known, if not famous in Canada **for wine**: *Arterra Wines*, above at para 24. Evidence of Diageo's American activities, however, did not give rise to any significant Canadian reputation for its trademark. While the TMOB noted the distinction between an alcoholic beverage made from the fermentation of grapes versus a spirit produced through distillation, nonetheless it found the potential for overlap in the parties' channels of trade since their respective goods likely would be sold in restaurants and liquor stores and independent stores, albeit in different sections.

[17] The TMOB noted that when considering the degree of resemblance, the trademarks must be considered in their totality. The applicable test is not a side-by-side comparison but rather an imperfect recollection in the mind of a consumer of an opponent's product bearing its mark: *Veuve Clicquot*, above at para 20. Begin by determining whether there is a striking or unique aspect of the trademark: *Masterpiece*, above at para 64. On this basis, the TMOB found the most striking aspect of Arterra's trademark is the word NAKED, as the word GRAPE is descriptive of the associated goods, while Diageo's trademark is likely to be viewed as a unitary phrase. Further, when considered as a whole, the TMOB found the marks were more different than alike as a matter of first impression despite the resemblance in sound and appearance, owing to the word NAKED being incorporated in its entirety in the trademark THE NAKED TURTLE. The TMOB concluded that NAKED GRAPE cheekily or playfully conveyed nakedness, whereas THE NAKED TURTLE conveyed the idea of a turtle who has no clothes on or is otherwise bare. In so concluding, the TMOB was mindful that the first portion of a trademark is often the most

important: *Conde Nast Publications Inc v Union des éditions modernes* (1979), 46 CPR (2d) 183 [Conde Nast] at para 34.

[18] The TMOB also considered several surrounding circumstances. Regarding the evidence of third party trademarks containing NAKED in association with alcoholic beverages in Canada, the TMOB found them insufficient to displace the acquired distinctiveness of the Arterra's trademark NAKED GRAPE absent information on their sale or advertising. Neither Diageo's use of its trademark in the United States nor other third party trademarks in the United States were considered relevant factors. Regarding the certified copy of registration No. TMA885,729 for SIMPLY NAKED for wine, though it stood in the name of a legal entity related to but separate from Constellation Canada, this too was considered an irrelevant factor absent evidence of use of the trademark in Canada. Though not mentioned in the TMOB's decision, I note that in any event this registration was cancelled voluntarily on September 8, 2017. Regarding Arterra's alleged "family" of trademarks, the TMOB found there was insufficient evidence to establish a family of NAKED GRAPE trademarks, such that there would be an increased likelihood of confusion, absent sales figures for NAKED GRAPE FIZZ.

[19] Finally, regarding the TMA ss 16(3)(a), 16(3)(b) [pertaining to the '944 Application], and 2 grounds of opposition, while Arterra met its applicable burdens, the TMOB found Arterra was in no stronger position as of the application filing date [the priority filing date in the case of the '944 Application] or the statement of opposition filing date. It therefore reached the same conclusion regarding the likelihood of confusion as in respect the TMA s 12(1)(d) ground and rejected these grounds as well.

*'265 Application Findings*

[20] Like the '944 Application, the TMOB considered that Arterra's best chance of success was the trademark NAKED GRAPE. The TMOB found the trademark THE NAKED TURTLE Design – front label inherently distinctive, with the words NAKED TURTLE [at the top of the label] the most striking part of this trademark. The TMOB also found the turtle design in the middle label added a significant degree of distinctiveness. The TMOB did not mention the trademark NAKED GRAPE in its consideration of this TMA s 6(5)(a) factor. The TMOB then jumped to a consideration of the degree of resemblance between these trademarks and, finding the parties' trademarks had very different visual impacts, concluded that Diageo had met its legal onus of proving, on a balance of probabilities, there was no reasonable likelihood of confusion. As with the word mark THE NAKED TURTLE, the design mark THE NAKED TURTLE Design – front label was considered more different than alike in respect of the mark NAKED GRAPE as a matter of first impression.

IV. Legislative Framework

[21] See Annex B for applicable provisions.

V. Issues

[22] This appeal raises essentially two issues:

*What is the applicable standard of review on appeal, taking into account the new evidence filed?*

*Bearing in mind the applicable standard of review on appeal, as a matter of first impression would the “casual consumer somewhat in a hurry”, who sees Diageo’s trademarks, when that consumer has no more than an imperfect recollection of any one of Arterra’s trademarks, be likely to be confused; that is, would such consumer be likely to think that Diageo was the same source of alcoholic beverages [rum on the one hand and wines on the other] as Arterra? [Paraphrasing: Veuve Clicquot, above at para 20; Masterpiece, above at para 41.]*

## VI. Parties’ Evidence

[23] On appeal, Arterra filed (i) a further affidavit of Steven Bolliger, Senior Vice-President, Marketing of Arterra, sworn February 4, 2019, and (ii) the affidavit of Jason Williams, private investigator with Integra Investigation Services Ltd., sworn February 4 2019. Diageo filed the affidavits of (i) William Joynt, owner of William Joynt Investigations Ltd., sworn March 12, 2019, and (ii) Lori-Anne DeBorba, senior litigation clerk employed by Diageo’s counsel, sworn March 12, 2019. All these affiants were cross-examined.

[24] A summary of the parties’ evidence, both before the TMOB and on appeal to this Court, can be found in Annex C to these Reasons.

## VII. Analysis

### *Standard of Review on Appeal*

[25] The hearing of this matter was held a little more than two weeks prior to the Supreme Court of Canada’s seminal decision in *Canada (Minister of Citizenship and Immigration) v Vavilov*, 2019 SCC 65 [*Vavilov*]. I subsequently invited the parties to make written submissions

regarding the impact of *Vavilov* on the statutory appeal mechanism in the TMA: *Vavilov*, above at para 144. Both parties filed submissions.

[26] *Vavilov* suggests that where there is a statutory right of appeal, an appellate standard of review applies to appeals under the applicable Act: *Vavilov*, above at paras 36-37. As stated in paragraph 37:

Where, for example, a court is hearing an appeal from an administrative decision, it would, in considering questions of law, including questions of statutory interpretation and those concerning the scope of a decision maker's authority, apply the standard of correctness in accordance with *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235, at para. 8. Where the scope of the statutory appeal includes questions of fact, the appellate standard of review for those questions is palpable and overriding error (as it is for questions of mixed fact and law where the legal principle is not readily extricable): see *Housen*, at paras. 10, 19 and 26-37. Of course, should a legislature intend that a different standard of review apply in a statutory appeal, it is always free to make that intention known by prescribing the applicable standard through statute.

[27] Though not at issue in this appeal, I note that *Vavilov* considers in some depth the standard of review applicable to statutory interpretation in a manner that is nuanced and more in line with a robust reasonableness review, rather than correctness: *Vavilov*, above at paras 115-124. *Vavilov* also has eliminated “jurisdictional questions [i.e. questions of true vires or the scope of the decision-maker's statutory authority] as a distinct category attracting correctness review”: *Vavilov*, above at para 65. *Vavilov* is silent, however, about the implications of an appeal mechanism that contemplates the filing of new evidence, as per TMA s 56(5).

[28] In my view, *Vavilov* does not necessarily displace the previous jurisprudence regarding new evidence filed with the Federal Court on appeal from a decision of the Registrar, but rather

necessitates an adjustment. Specifically, as of the date of the hearing before this Court, the parties essentially were in agreement that the standard of review is determined on an issue-by-issue basis, depending on the materiality of any new evidence adduced affecting the issue[s]. If the new evidence is considered material to an issue, this Court must consider the outcome of that relevant issue *de novo* or on a correctness basis: *Seara Alimentos Ltda v Amira Enterprises Inc*, 2019 FCA 63 [*Seara*] at para 22; *Advance Magazine Publishers, Inc v Banff Lake Louise Tourism Bureau*, 2018 FC 108 [*Advance*] at paras 16 and 22; *Molson Breweries v John Labatt Ltd*, [2000] 3 FC 145 (FCA) at para 51; *Spirits International BV v BCF SENCRL*, 2012 FCA 131 [*Spirits*] at paras 10, 30; *Keepsake Inc v Prestons Ltd* (1983), 69 CPR (2d) 50 at para 46; *Dart Industries Inc v Baker & McKenzie LLP*, 2013 FC 97 at paras 21-22. The parties also were in agreement that new evidence may respond to the TMOB's perceived evidentiary deficiencies: *Mövenpick Holding AG v Exxon Mobil Corporation*, 2011 FC 1397 at para 54, aff'd 2013 FCA 6; *Advance Magazine Publishers Inc v Farleyco Marketing Inc*, 2009 FC 153 [*Farleyco*] at paras 93-95, 98, aff'd 2009 FCA 348.

[29] To trigger a *de novo* review pursuant to TMA s 56(5), however, the new evidence must be “sufficiently substantial and significant; ... evidence that merely supplements or repeats existing evidence will not surpass this threshold”: *Scott Paper Limited v Georgia-Pacific Consumer Products LP*, 2010 FC 478 [*Scott Paper*] at paras 48-49. The test is not whether the new evidence would have changed the TMOB's mind but rather whether it would have a material effect on the decision: *Scott Paper*, above at para 49. In that regard, quality, not quantity, is key: *Vivat Holdings Ltd v Levi Strauss & Co*, 2005 FC 707 at para 27. In sum, “the Court must assess the quality, not quantity, of the [new] evidence – considering its nature,

significance, probative value, and reliability – to determine whether the evidence adds something of significance” and hence, whether it would have affected the TMOB’s decision materially:

*Advance*, above at para 16, citing *Illico Communication Inc v Norton Rose SENCRL*, 2015 FC 165 at para 26 [*Illico Communications*] and *Mcdowell v The Body Shop International PLC*, 2017 FC 581 at para 11.

[30] Thus, where new material evidence is filed, the correctness standard contemplated by TMA s 56(5) and applicable jurisprudence permits this Court to conduct a *de novo* analysis in respect of the relevant issue[s], according no deference to the conclusion[s] of the underlying decision-maker. Absent new material evidence, however, the *Housen* appellate standard of review will apply, as opposed to reasonableness. Leaving aside questions of statutory interpretation and jurisdiction, this means questions of law are to be assessed according to the correctness standard, while questions of fact and mixed fact and law [where the legal principle is not readily extricable] are to be considered for any palpable and overriding error.

[31] The Federal Court of Appeal defines, and provides guidance on identifying, palpable and overriding errors in *Mahjoub v Canada (Citizenship and Immigration)*, 2017 FCA 157

[*Mahjoub*] at paras 61-70, cited in favour recently by Justice Kane in *Pentastar Transport Ltd v FCA US LLC*, 2020 FC 367:

[61] Palpable and overriding error is a highly deferential standard of review: *Benhaim v. St. Germain*, 2016 SCC 48, [2016] 2 S.C.R. 352 at para. 38; *H.L. v. Canada (Attorney General)*, 2005 SCC 25, [2005] 1 S.C.R. 401. When arguing palpable and overriding error, it is not enough to pull at leaves and branches and leave the tree standing. The entire tree must fall. See *Canada v. South Yukon Forest Corporation*, 2012 FCA 165, 431 N.R. 286 at

para. 46, cited with approval by the Supreme Court in *St. Germain*, above.

[62] “Palpable” means an error that is obvious. Many things can qualify as “palpable.” Examples include obvious illogic in the reasons (such as factual findings that cannot sit together), findings made without any admissible evidence or evidence received in accordance with the doctrine of judicial notice, findings based on improper inferences or logical error, and the failure to make findings due to a complete or near-complete disregard of evidence.

[63] But even if an error is palpable, the judgment below does not necessarily fall. The error must also be overriding.

[64] “Overriding” means an error that affects the outcome of the case. It may be that a particular fact should not have been found because there is no evidence to support it. If this palpably wrong fact is excluded but the outcome stands without it, the error is not “overriding.” The judgment of the first-instance court remains in place.

[65] There may also be situations where a palpable error by itself is not overriding but when seen together with other palpable errors, the outcome of the case can no longer be left to stand. So to speak, the tree is felled not by one decisive chop but by several telling ones.

[66] Often those alleging palpable and overriding error submit that a first-instance court forgot, ignored, misconceived or gave insufficient weight to evidence because it did not mention the evidence in its reasons. ... But a non-mention in reasons does not necessarily lead to a finding of palpable and overriding error.

[67] For one thing, first-instance courts benefit from a rebuttable presumption that they considered and assessed all of the material placed before them: *Housen* at para. 46.

[68] Further, when an appellate court considers a submission of palpable and overriding error, often it focuses on the reasons of the first-instance court. But its reasons are to be viewed in context and construed in light of both the evidentiary record before it and the submissions made to it: *R. v. R.E.M.*, 2008 SCC 51, [2008] 3 S.C.R. 3 at paras. 35 and 55. Although the reasons may not mention a particular matter or a particular body of evidence, the evidentiary record and the context may shed light on why the first-instance court did what it did. They may also confirm that although



a matter is not mentioned in the reasons, it was nevertheless within the court's contemplation and considered by it.

[69] Sometimes counsel submit that gaps in the reasons of the first-instance court show palpable and overriding error. In considering this sort of submission, appellate courts must remember certain realities about the craft of writing reasons. It is an imprecise art suffused by difficult judgment calls that cannot be easily second-guessed. ...

[70] Palpable and overriding error is often best defined by describing what it is not. If an appellate court had a free hand, it might weigh the evidence differently and come to a different result. It might be inclined to draw different inferences or see different factual implications from the evidence. But these things, without more, do not rise to the level of palpable and overriding error.

[32] With these principles in mind, I must consider the materiality of the parties' new evidence filed on appeal to this Court, including the cross-examination of the affiants, and determine whether the new evidence is sufficiently substantial and significant such that it could have had a material effect on the TMOB's decision, not whether it would have changed the TMOB's mind. Accordingly, I must assess the quality, probative value, and reliability of the parties' new evidence in the context of the record, and determine whether it would have supplemented or otherwise clarified the record in a way that it might have influenced the TMOB's conclusions on a finding of fact or exercise of discretion had it been available at the time of the Board's decision: *Seara*, above at paras 23-26.

a) *Affidavit of Jason Williams dated February 4, 2019*

[33] Jason Williams was a private investigator retained by Arterra's counsel. His evidence consisted of online search results for alcoholic beverage products whose names contained animal

names from each official provincial liquor website [he located hundreds of such names], and photographs of 83 products containing animal names in their title on sale at an LCBO [Liquor Control Board of Ontario] he attended in person in Toronto. Arterra submitted this evidence in support of its position that the word “naked” is likely to be viewed as the most striking feature of both parties’ marks by casual consumers of alcoholic beverages as a matter of first impression, as consumers are used to seeing animal names on alcohol labels, while the word “naked” is rare outside Arterra’s marks. On cross-examination, Diageo’s counsel sought to establish that a number of the animal names located by Mr. Williams involved place names or geographic regions [such as “Hawkes Bay”, “Monkey Bay”, “Cariboo” and “Horse Heaven Hills”], or personal names [such as “Wolf Blass”], or had other connotations [such as “Ironhorse”, “Moscow Mule”, “Henhouse”, “Landshark” and “Cowhorn”]. Notwithstanding the [unproven] possibility that other connotations may apply to some of the names, this does not detract from the fact that on their face these product names contain animal names or close phonetic equivalents of animal names. Furthermore, as highlighted by Mr. Williams’ evidence itself and during cross-examination, the use of the word “turtle” appears to be rare; his evidence disclosed references to “Painted Turtle” and “Alpha Estate Malagouzia Turtles” among the hundreds of animal names he located. That said, I am sympathetic to the argument that Mr. Williams was not tasked with searching specifically for product names and images involving turtles and hence, there could be other such products in the market place.

[34] Absent any context for Mr. Williams’ evidence such as sales volumes, the reputation of alcoholic beverages with labels involving animal names, or the proportion of the overall alcoholic beverages market in Canada such labelled products represent, however, I am not

prepared to make any inferences about what the casual consumer might perceive when confronted with such labels in the market place. Though not articulated as such, this is what Arterra is requesting that this Court do. As noted by Steven Bolliger during cross-examination on his third affidavit dated February 4, 2019, “[t]here are tens of thousands of SKUs of wines in Canada – or hundreds of thousands of SKUs in Canada” [in answer to Q277-278, when he was asked how many other unoaked wines are being sold in Canada]. Moreover, by asserting that the word “naked” is likely to be viewed as the most striking feature of Diageo’s trademarks by reason of other animal names on alcoholic beverage labels impermissibly discounts the apparent rarity or striking nature of the word “turtle” [as disclosed by Mr. Williams’ evidence itself, subject to the shortcoming that Mr. Williams was not tasked to look specifically for product names involving turtles] and is tantamount to dissecting Diageo’s trademarks: *Battle Pharmaceuticals v British Drug Houses Ltd*, [1944] Ex CR 239 [*Battle Pharmaceuticals*] at page 251, aff’d [1946] SCR 50. As discussed below, the TMOB also engaged in an impermissible dissection of Arterra’s trademark NAKED GRAPE; two wrongs do not make a right.

[35] In my view, Mr. Williams’ evidence, including his cross-examination, merely reinforces the need for a reviewing body to consider the entirety of the marks at issue when assessing the likelihood of confusion. The TMOB found both parties’ marks, NAKED GRAPE and THE NAKED TURTLE, to be inherently distinctive, and was alive to the unique quality the word “turtle” brought to Diageo’s proposed mark when considering the degree of resemblance between these marks. In the end, I am not convinced this evidence would have influenced the TMOB’s assessment of the relative importance of the words “naked” and “turtle”. Accordingly,

as this evidence merely confirms the conclusions of the TMOB, it is not material in my view:

*Seara*, above at para 24.

b) Affidavit of Steven Bolliger dated February 4, 2019

[36] This was the third affidavit in these proceedings of Steven Bolliger, the Senior Vice President of Marketing for Arterra as of the date of his affidavit; it came to light during cross-examination that he subsequently retired. It is clear this affidavit was offered to bolster Arterra's asserted "family" of trademarks [as a "surrounding circumstance" in the confusion analysis] and in particular, further to the following finding of the TMOB: "Given that there are no sales figures for NAKED GRAPE FIZZ, I do not find the Opponent has evidenced that it has a family of NAKED GRAPE trade-marks such that there would be an increased likelihood of confusion":

*Arterra Wines*, above at para 42.

[37] In this affidavit, Mr. Bolliger provided sales figures and sample invoices for NAKED GRAPE FIZZ sold in Canada since 2012, indicating approximately \$5.27 million in sales since then. Notably, NAKED GRAPE FIZZ products have been sold exclusively in Ontario since 2014; and only the white varietal has been available since 2015. Mr. Bolliger also referenced a fourth trademark, NAKED GRAPE & Design, which issued to registration under registration No. TMA999,626 within a matter of days after the TMOB hearing. The alleged family of trademarks therefore consists of the following trademarks:

| Trademark | Registration No. & Date | Goods |
|-----------|-------------------------|-------|
|-----------|-------------------------|-------|

| Trademark   | Registration No. & Date  | Goods                               |
|---|--------------------------|-------------------------------------|
| NAKED GRAPE [word mark]   | TMA659,543<br>2006-02-21 | Wines; wine spritzers;<br>ice wine  |
| NAKED GRAPE & Grape Design<br> | TMA720,829<br>2008-08-14 | Wines                               |
| NAKED GRAPE FIZZ [word mark]  | TMA795,352<br>2011-04-12 | Wine                                |
| NAKED GRAPE Design<br>       | TMA999,626<br>2018-06-21 | Alcoholic beverages<br>namely wines |

[38] As an aside, I note that Arterra did not request leave at any time to amend its Statements of Opposition, pursuant to Rule 40, to revise the ground based on TMA ss 38(2)(b)/12(1)(d) to include registration No. TMA999,626. As the relevant date for assessing this ground is the date of the trier's decision, whether the TMOB or this Court as applicable, in my view it would have

been open to Arterra to pursue this course of action. That Arterra recognized the significance of the fourth mark to the TMA s 12(1)(d) ground of opposition is evident from its Memorandum of Fact and Law submitted in the appeal.

[39] In any event, in light of the TMOB's finding above regarding NAKED GRAPE FIZZ and absent analysis on whether a family of trademarks would have been found to exist had use of the trademark NAKED GRAPE FIZZ been evidenced, I am of the view that the proffered evidence of sales could have impacted the TMOB's decision materially. I therefore must consider this issue, that is the alleged "family" of trademarks, on a *de novo* basis and whether, if decided in Arterra's favour, it would have changed the outcome. For several reasons, I am not persuaded that Arterra has established a family of trademarks with its new evidence such that the balance concerning the confusion analysis is tipped in Arterra's favour on this basis alone.

[40] As a preliminary issue, I note that in its Statements of Opposition and Notice of Application, Arterra alleged it owns or has a family of [registered] trademarks in Canada which include the element NAKED in association with alcoholic beverages in the nature of wine. The Opponent's Written Argument contained no discussion of the issue and it is unknown what Arterra argued about its alleged family of trademarks at the oral hearing before the TMOB. What is known is that the TMOB found there was insufficient evidence to establish a family of NAKED GRAPE trademarks. These positions are not necessarily inconsistent, as NAKED GRAPE contains NAKED. On appeal, Arterra simply asserted in writing that the third Bolliger affidavit addressed the evidentiary gap identified by the TMOB [regarding sales figures for NAKED GRAPE FIZZ], and asked this Court to consider the issue on a *de novo* basis and find

Arterra has established a family of registered trademarks, thus heightening the likelihood of confusion. This assertion is consistent with Arterra's submissions on the issue at the hearing of the matter. As Arterra does not have a registration for NAKED *per se* but does have a registration for NAKED GRAPE *per se*, the latter being in my view the common feature of its asserted family of trademarks, my *de novo* assessment focuses on whether Arterra has established a family of NAKED GRAPE trademarks.

[41] A family of trademarks is “a series of marks all having the same features and ... all owned by the same trader”: *Molnlycke Aktiebolag v Kimberly-Clark of Canada Ltd.* (1982), 61 CPR (2d) 42 (FCTD) at para 25. I accept a family of trademarks, if established, attracts a broader scope of protection, and in the right circumstances can impact the confusion assessment. To rely on the broader protection afforded to a family of marks, the party alleging the family must demonstrate actual use [i.e. sales figures, advertising campaigns, and/or evidence of expanding lines] of several products bearing the common feature[s] that define the family [i.e. the words NAKED GRAPE]: *Techniquip Ltd v Canadian Olympic Assn* (1998), 145 FTR 59 (FCTD) [*Techniquip*] at para 19, aff'd 250 NR 302 (FCA); *London Life Insurance Co v Manufacturers Life Insurance Co*, [1999] FCJ No 394 at para 24; *Everex Systems Inc v Everdata Computer Inc* (1992), 44 CPR (3d) 175 (FCTD) at paras 28-30; *Toys “R” Us (Canada) Ltd v Babies-R-Us Inc*, 36 ACWS (3d) 1186 at paras 6-7. The TMOB has found previously, however, one word mark and one design version of the word mark insufficient to create a family: *Now Communications*, above at para 35, citing *British Columbia Hydro and Power Authority v Union Gas Limited* (1998), 85 CPR (3d) 231.

[42] In the case before this Court, Arterra now has evidenced use of one word mark NAKED GRAPE, two design versions of the word mark [with no other words added to the words NAKED GRAPE, and in one case displayed with the design of a grape which evokes or describes pictorially the word GRAPE], and one other word mark which adds the word FIZZ to NAKED GRAPE. I further note the newest registered design trademark [registration No. TMA999,626] is merely comprised of the top half of the earlier registered design trademark [registration No. TMA720,829]. In my view, the two registered design marks are merely design versions of the word mark NAKED GRAPE. They would be sounded the same and they suggest the same ideas as the word mark; and they differ from each other only in relatively minor visual respects [apart from the design of a grape which simply evokes or describes pictorially a grape]. This conclusion is reinforced by the first and second Affidavits of Steven Bolliger, dated March 7, 2014 and July 25, 2014 respectively, which describe the NAKED GRAPE brand, line of wines, and trademark without any distinction in so far as use, sales, and advertising/promotion are concerned. Furthermore, Arterra identified these marks in the Opponent's Written Argument filed in connection with its opposition to the '265 Application as "...the registered NAKED GRAPE word and design marks (the "NAKED GRAPE Marks")...". Arterra also referred to phrases such as the NAKED GRAPE brand, the NAKED GRAPE wines, the NAKED GRAPE collection of wines, and the NAKED GRAPE products, without any distinction among its NAKED GRAPE Marks. In other words, the word mark NAKED GRAPE and the design versions are "lumped together" in the first and second Bolliger affidavits and in the Opponent's Written Argument. The design versions do not add additional elements to the alleged family, but instead support use of the word mark NAKED GRAPE, of which there is little evidence of its use other than in design form: *Pizzaiolo Restaurants Inc v Les Restaurants La Pizzaiolle Inc*,



2016 FCA 265 [*Pizzaiolo*] at para 26. Notwithstanding this finding, I note the guidance in *Masterpiece* that Arterra is entitled to have each of its marks considered separately in the confusion analysis, as discussed in greater detail below: *Masterpiece*, above at paras 43, 45 and 48; *Benjamin Moore & Co Limited v Home Hardware Stores Limited*, 2017 FCA 53 [*Benjamin Moore*] at para 32.

[43] The alleged family of trademarks therefore essentially consists of NAKED GRAPE and NAKED GRAPE FIZZ, but “two ... marks do not a family make”: *U L Canada Inc v Wells' Dairy, Inc*, 1999 CanLII 19471 (CA TMOB). As noted by the TMOB, a party seeking to rely on a family of marks must demonstrate use of more than one or two marks within the asserted family; this principle remains even though, as noted, the TMOB did not engage in an analysis of whether a family would have been established even with sales of NAKED GRAPE FIZZ products. I might have held differently had Arterra evidenced use of two other trademarks, NAKED GRAPE SPRITZER MORNING MIMOSA and NAKED GRAPE SPRITZER SUNSET SANGRIA, the subject of prior pending applications Arterra relied on in connection with the ground of opposition based on TMA ss 38(2)(c)/16(3)(b). This was no longer in issue before this Court, however.

[44] Moreover, while Arterra's new evidence demonstrates continued sales of its NAKED GRAPE FIZZ products through 2018-2019, Mr. Bolliger's cross-examination highlighted NAKED GRAPE FIZZ products no longer are *produced* for sale and that the sales revenues [which were in decline from earlier years] may have resulted solely from selling remaining stock. At best, this new evidence merely supplements or confirms the TMOB's finding that

Arterra's trademark NAKED GRAPE or line of NAKED GRAPE wine products, of which NAKED GRAPE FIZZ is one, is well known in Canada, if not famous: *Arterra Wines*, above at para 29. As such, I assign little, if any, weight to the third Bolliger affidavit.

c) Affidavits of William Joynt and Lori-Anne DeBorba, dated March 12, 2019

[45] The affidavits of William Joynt, private investigator, and Lori-Anne DeBorba, senior litigation law clerk, both dated March 12, 2019, together demonstrate examples of products available for sale in Canada in association with the term “naked” or a variation [such as, “Nakd”], including for (i) beverage, food, and snack products; (ii) restaurants, cafés, and health food stores; and (iii) cookbooks, recipes, and food blogs. Having reviewed the relevant cross-examinations, I am not persuaded that the irregularities in the collection of this information are sufficient to render the affidavits inadmissible. This evidence has been introduced in support of the “recognized principle that when considering the possibility of confusion between two marks [i.e. NAKED GRAPE and THE NAKED TURTLE], the Registrar must determine if the common element of the two marks [i.e. NAKED] is also contained in a number of other marks, since such a commonality tends to dissipate the risk of confusion and distinguish the compared trade-marks from each other by characteristics other than the common feature”: *Techniquip*, above at para 19. See also *Assurant, Inc v Assurancia, Inc*, 2018 FC 121 at para 65.

[46] In my view, this new affidavit evidence is relevant to the confusion analysis and, in particular, the inherent distinctiveness of the parties' respective marks. Whether the evidence is probative, however, depends on whether and to what extent the products are sold and known in Canada in the relevant channels of trade. Diageo has not shown, for example, that these products

are or could be sold in the same stores as NAKED GRAPE, namely in provincially-controlled liquor stores or Arterra's Wine Rack stores. While together these affidavits sufficiently demonstrate the existence and availability of these products in Canada, without context such as overall sales and positioning in the market place I am not prepared to infer that the evidence demonstrates popularity or reputation.

[47] Moreover, while it is evident from the cross-examination of Steven Bolliger on his third affidavit [dated February 4, 2019] that Arterra has engaged in promotional activities involving food or snack products, such as Miss Vickie's original recipe potato chips and Woodbridge by Robert Mondavi wine, that does not support in my view the position asserted by Diageo that "these product categories are clearly related". Nor are there sufficient third party "naked" products or variations [such as "nakd"] to have an impact in any way on the distinctiveness of Arterra's trademark NAKED GRAPE. I note the TMOB was not prepared to find a few limited third party uses of NAKED in Canada for alcoholic beverages sufficient to establish NAKED as common in that industry, let alone allegedly related ones [such as non-alcoholic beverages, in particular smoothies], nor to have any real effect on the acquired distinctiveness of NAKED GRAPE [see *Arterra Wines*, above at paras 34-36]. I further find it inconsistent that, on the one hand Diageo seeks to collapse the beverage [alcoholic and non-alcoholic], food, and book/recipe/blog industries into one for the purpose of arguing commonality of the term "naked", while on the other hand it asserts a distinction should be drawn between "wines" and "rum" in the context of the confusion analysis. I therefore find the Joynt and DeBorba affidavits are not sufficiently material to impact the TMOB's assessment of the distinctiveness of Arterra's trademark NAKED GRAPE and as such, I assign them little, if any, weight.

[48] As a consequence of my findings regarding the materiality of the parties' new evidence, and the *de novo* finding regarding Arterra's asserted family of trademarks, it falls next to consider whether the TMOB made any palpable and overriding errors regarding questions of fact or mixed fact and law in determining the likelihood of confusion between the parties' trademarks. As noted in *Mattel*, the determination of a likelihood of confusion involves issues of mixed fact and law and fact: *Mattel*, above at paras 32 and 35. In my view, there are no extricable questions of law of general importance in this case that would attract the correctness standard of review.

*Bearing in mind the appellate standard of palpable and overriding error, as a matter of first impression would the "casual consumer somewhat in a hurry", who sees Diageo's trademarks, when that consumer has no more than an imperfect recollection of any one of Arterra's trademarks, be likely to be confused; that is, would such consumer be likely to think that Diageo was the same source of alcoholic beverages [rum on the one hand and wines on the other] as Arterra?*

[49] The appellate standard of palpable and overriding error is a highly deferential standard of review requiring "the Court [to] begin with the reasons to determine whether the alleged errors exist, which requires consideration of the reasons as a whole along with the record before the decision-maker": *Pentastar*, above at para 49. In doing so, the Court must keep in mind that that judgment or decision writing "is an imprecise art suffused by difficult judgment calls that cannot be easily second-guessed"; it must avoid reweighing the evidence: *Mahjoub*, above at paras 69-70. It bears emphasizing that the ultimate focus of the confusion analysis is the source of the goods, as opposed to the goods themselves [the goods being but one factor to consider in determining the likelihood of confusion].

[50] In my view, the TMOB made no palpable and overriding errors in articulating the evidentiary burden on an opponent and the legal onus on an applicant in opposition proceedings, nor, as mentioned above, in the inadmissibility finding regarding the evidence of Bruce Wallner, Master Sommelier. The latter is reinforced by Diageo's own submission that Arterra's labels for its NAKED GRAPE products refer to the wine as being "unoaked". I agree with the Supreme Court of Canada's cautions that expert evidence "will be positively unhelpful if the expert engages in an analysis that distracts from the hypothetical question of likelihood of confusion at the centre of the analysis[;] ...[n] either an expert, nor a court, should tease out and analyze each portion of a mark alone [i.e. "naked" v NAKED GRAPE]": *Masterpiece*, above at paras 80 and 83.

[51] Though not at issue in this appeal, I also find the TMOB made no palpable and overriding errors regarding its disposal of the TMA ss 30(e) and 30(i) grounds of opposition.

[52] Regarding the TMA s 12(1)(d) ground of opposition, in my view the TMOB made no palpable and overriding errors in articulating the test for confusion. As noted above, the TMOB considered that the Opponent's best case was the registered trademark NAKED GRAPE, registration No. TMA659,543, which was the primary focus of the TMOB's confusion analysis; if Arterra were not successful on this mark, it would not be successful on the others. This kind of focussing is in line with the approach adopted in *Masterpiece*, above at para 61.

[53] The TMOB next summarized, as follows, its factual conclusions on which it based its analysis of the TMA s 6(5) factors; Arterra argues these conclusions are not in issue and hence, should be accorded deference, and I agree:

- a. Arterra's registrations for NAKED GRAPE, NAKED GRAPE FIZZ, and NAKED GRAPE & Grape Design were extant at the date of the TMOB decision;
- b. Arterra is Canada's largest producer, marketer, and distributor of wines, and also produces cider, spritzers, and coolers;
- c. Arterra's NAKED GRAPE wines have been sold in Canada since at least as early as 2005 in liquor stores other than in Quebec, Yukon and Nunavut; in Ontario, Arterra also sells NAKED GRAPE products through its over 160 Wine Rack stores and online through the website *www.winerack.com*;
- d. Between 2008-2013, Arterra sold between 325,000 and 650,000 nine-litre cases of wine per year with net sales ranging from \$16-26 million CAD, with \$23 million dollars of sales in 2013;
- e. Arterra also sold a wine spritzer in association with the NAKED GRAPE trademark, launched between 2007 and 2010, but delisted in 2013 for lack of sales;
- f. Twelve types of wine and at least two types of wine spritzers have been sold in the NAKED GRAPE collection including sauvignon blanc, shiraz, pinot grigio and a white zinfandel wine spritzer;
- g. The NAKED GRAPE trademark has been promoted and used extensively in Canada for a lengthy period of time; NAKED GRAPE wines are advertised and promoted through the use of point of sale promotional materials, table talkers and menu shells at restaurants, online at the website *nakedgrape.ca* and through television advertisements shown on Canadian television and print advertisements;
- h. Advertising expenditures have ranged from a high of \$1.9 million annually in 2010/2011 to \$700,000 in 2006;
- i. The promotional materials and printouts in Mr. Bolliger's affidavit feature the NAKED GRAPE trademark prominently;

- j. Consumers turning their mind to what NAKED suggests in the context of wine or rum may conclude *after consideration* that it suggests the associated wine or rum has not been aged in an oak barrel; consumers would not do so, however, *as a matter of first impression*;
- k. Mr. Shilling's evidence regarding Diageo's use of its trademarks in the United States was not relevant to the confusion analysis as a surrounding circumstance or otherwise, but did confirm there have been no sales or marketing of THE NAKED TURTLE rum in Canada; furthermore, Mr. Schilling's evidence on the meaning of "naked" in relation to wines in the United States was irrelevant to what a casual consumer in Canada would perceive;
- l. Evidence of use or registration of [third party] NAKED trademarks in the United States should not carry any significant weight as a surrounding circumstance in the confusion analysis for several reasons, including: Arterra's NAKED GRAPE product is not sold in the United States; nor is coexistence abroad relevant in the absence of evidence that the environment abroad, such as the state of the marketplace, is similar; and
- m. The limited evidence of the third party use of NAKED in Canada, listed in Mr. Penney's affidavit and about which Mr. Bolliger was cross-examined, was insufficient to establish the component NAKED is common to trademarks for alcoholic beverages in Canada such that consumers can more easily distinguish between trademarks containing this component; furthermore, there was no information about the sale or advertising of any of the alcoholic beverage products located in Mr. Penney's searches.

[54] Arterra focused its written and oral submissions on the issues of the degree of resemblance between the trademarks at issue [TMA s 6(5)(e)] and the surrounding circumstance of its alleged family of trademarks [TMA s 6(5)]. Having disposed of the latter issue, I note the guidance in *Masterpiece* that "the degree of resemblance, although the last factor listed in s. 6(5), is the statutory factor that is often likely to have the greatest effect on the confusion analysis[;] ... a consideration of resemblance is where most confusion analyses should start": *Masterpiece*,

above at para 49. Before doing so, I express the view that the TMOB made no discernible palpable and overriding errors in arriving at its conclusions concerning the issues of inherent distinctiveness [TMA s 6(5)(a)], length of time in use [TMA s 6(5)(b)], nature of the goods [TMA s 6(5)(c)] and trade [TMA s 6(5)(d)], as summarized in paragraphs 15 and 16 above, nor its conclusions regarding the surrounding circumstances of: Diageo's use of its trademarks in the United States; third party Naked trademarks in the United States; and trademark registration No. TMA885,729 for SIMPLY NAKED, as summarized in paragraph 18 above.

[55] Regarding the TMOB's finding that Arterra's trademark is well known, if not famous in Canada for wine, I add that I do not agree with Diageo's submission that according to *Veuve Clicquot* a famous mark requires proof of fame in Canada that transcends the goods or services with which the mark usually is associated. The particular paragraph relied on [*Veuve Clicquot*, above at para 53] speaks to the concept of a famous mark in the context of the "dilution" remedy in the United States. In determining the TMOB made no palpable or overriding error in concluding NAKED GRAPE is well known, if not famous in Canada for wine, I refer instead to *Veuve Clicquot*, above at para 30:

No doubt some famous brands possess protean power (...), but other famous marks are clearly **product specific**. ... The Board's conclusion that BARBIE's fame is limited to dolls and dolls' accessories does not at all mean that BARBIE's aura cannot transcend those products, but whether it is likely to do so or not in the context of opposition proceedings in relation to restaurant, catering and banquet services is a question of fact that depends on "all the surrounding circumstances" (s. 6(5)). ... [Bold emphasis added.]

This is in keeping with a line of cases where the term in issue also has been used to describe brands which are so ubiquitous in the industry that the term takes on a secondary meaning, i.e. achieves acquired distinctiveness: *United Artists Pictures Inc v Pink Panther Beauty Corp*,



[1998] FCJ No 441 at para 24; *Swatch AG (Swatch SA) (Swatch Ltd) v Hudson Watch, Inc*, 2018 FC 853 at para 41; *Cartier Inc v Cartier Optical Ltd* (1988), 20 CPR (3d) 68 (FCTD). Arterra provided evidence of substantial wine sales which the TMOB found sufficient. Absent additional evidence that these sales do not reflect a large market share in the Canadian market, I defer to the TMOB's finding.

[56] In considering the TMOB's assessment of the degree of resemblance, however, in my view the TMOB made several palpable errors that cumulatively are overriding. The TMOB began by noting that the degree of resemblance often will have the greatest effect on the confusion analysis. I am of the view that the bar was set too high with the following statement in *Masterpiece* attributed to Professor Vaver: "The other [TMA s 6(5)] factors become significant only once the marks are found to be identical or very similar...": *Masterpiece*, above at para 49. I find this statement problematic for several reasons. It suggests that only in the case of identical or very similar marks, as a matter of first impression could the "casual consumer somewhat in a hurry", who sees the newcomer's trademarks, when that consumer has no more than an imperfect recollection of any one of the owner's trademarks, be likely to be confused; that is, absent identical or very similar marks, no confusion is likely. The likelihood of confusion, however, is to be determined on a balance of probabilities, with any doubt resolved in favour of the owner. Each situation is fact and context specific: *Veuve Clicquot*, above at para 21, citing *Mattel*, above. Moreover, the degree of resemblance involves disjunctive considerations of appearance, sound, or ideas suggested, each of which needs to be assessed. In short, the confusion analysis as embodied in TMA s 6, including TMA s 6(5) and applicable jurisprudence, is much more

nuanced and, in my view, does not end necessarily with a finding that the marks in issue are not “identical or very similar”. As noted further in *Masterpiece*, above at para 62:

Resemblance is defined as the quality of being either like or similar . . . . The term “degree of resemblance” in s. 6(5)(e) of the Act implies that likelihood of confusion **does not arise solely from identical trade-marks**. “[D]egree of resemblance” recognizes that marks with some differences may still result in likely confusion.” [Bold emphasis added.]

[57] The TMOB further noted correctly that: the trademarks must be considered in their totality; the appropriate test is not a side by side comparison but an imperfect recollection in the mind of the consumer of an opponent’s trademark; and the preferable approach is to begin by determining whether there is a particularly unique or striking aspect of the trademark: *Arterra Wines*, above at para 32, citing *Veuve Clicquot*, above at para 20 and *Masterpiece*, above at para 64. The application of the test, however, fell apart in several respects.

[58] The TMOB found that the most striking aspect of the Opponent’s trademark is the word NAKED [as the word GRAPE is descriptive of the associated goods], but then found that the Applicant’s trademark is likely to be viewed as a unitary phrase. The TMOB provided no explanation, however, as to why the totality of Arterra’s mark NAKED GRAPE also would not be viewed as a unitary phrase, notwithstanding that the word NAKED was considered the most striking or unique feature of the trademark or that the word GRAPE was considered descriptive: *Arterra Wines*, above at para 33. This finding makes no sense, having regard to the TMOB’s conclusion that Arterra’s mark NAKED GRAPE [not NAKED *per se*] is well known, if not famous in Canada for wine. Presumably, Arterra’s lengthy and extensive use of NAKED GRAPE in Canada, and hence the acquired distinctiveness [noted in the TMOB’s conclusion at

para 43], played a significant if not predominant role in the finding that the trademark is well known if not famous.

[59] The TMOB next found that when considered as a whole, the trademarks were “more different than alike as a matter of first impression”: *Arterra Wines*, above at paras 33 and 48. This is not the test for confusion, however, and is more suggestive of a side by side comparison with the differences and similarities tallied rather than a consideration of the trademarks from the perspective of the “casual consumer somewhat in a hurry” with an imperfect recollection. As noted in *Veuve Clicquot*, the casual consumer somewhat in a hurry is one who “does not pause to give the matter any detailed consideration or scrutiny, **nor to examine closely the similarities and differences between the marks**” [bold emphasis added]: *Veuve Clicquot*, above at para 20.

[60] The TMOB next explained that while the parties’ marks resemble each other somewhat in appearance and sound, because of the incorporation of NAKED [the most striking feature of the Opponent’s trademark] in its entirety in the Applicant’s trademark THE NAKED TURTLE, the impact of the Applicant’s trademark is different. In my view, this holding is tantamount to dissecting impermissibly *Arterra’s* trademark NAKED GRAPE, by discounting the word GRAPE [notwithstanding the finding that the trademark NAKED GRAPE is well known, if not famous in Canada]. As noted in *Masterpiece*: “[n]either an expert, nor a court [nor the TMOB], should tease out and analyze each portion of a mark alone”: *Masterpiece*, above at para 83. More importantly, this holding is in stark contrast to the TMOB’s conclusion in *Constellation Brands* where, after finding the word NAKED was the most striking aspect of the Opponent’s trademark NAKED GRAPE but that the Applicant’s trademark MAKE IT NAKED would be viewed as a

unitary phrase, the TMOB held: "...when the parties' trade-marks are considered in their entirety, I find that the trade-marks have a considerable degree of resemblance in appearance and as sounded due to the shared component NAKED": *Constellation Brands*, above at para 26 [and para 41, regarding DON'T WORRY DRINK NAKED & Design, application No. 1,595,872]. The word NAKED was the last word of the applied for trademarks refused in *Constellation Brands*, unlike THE NAKED TURTLE; yet the word NAKED is also a "shared component" and essentially the first component of the trademarks in issue in *Arterra Wines*. The TMOB made only passing mention, however, of the principle in *Conde Nast* that the first portion of the trademark is the most important [for assessing the likelihood of confusion]: *Conde Nast*, above at para 34.

[61] The TMOB then held that the trademarks convey different ideas, with the Opponent's trademark "playfully or cheekily suggesting nakedness, in contrast with the Mark which suggests a turtle who has no clothes or is otherwise bare": *Arterra Wines*, above at para 33. Again, these conclusions are inconsistent with the findings in *Constellation Brands* where the marks of both parties were held to "suggest a similar slightly risqué connotation to consumers – both playfully and/or cheekily suggesting nakedness": *Constellation Brands*, above at paras 26 and 41. The word TURTLE, and the image of the turtle in the case of Diageo's design mark THE NAKED TURTLE – front label, in my view do add another layer to the overall impression of the opposed trademarks in the case before this Court. I see no rational basis, however, for the conclusion that the casual consumer somewhat in a hurry with an imperfect recollection would impute a different meaning to the word NAKED in the context of either parties' marks; the contrary seems more likely. This is especially so in the context of the design marks, where the word NAKED is

displayed over the next word in the parties' marks, GRAPE in the case of Arterra and TURTLE in the case of Diageo, thereby giving prominence to, or emphasizing as essentially the first significant component in both cases, the word NAKED.

[62] In addition, possible future presentations of a trademark available to a registered trademark owner and an applied for trademark owner must be considered in respect of word marks: *Masterpiece*, above at paras 55-56, 85; *Cheah v McDonald's Corporation*, 2013 FC 774 at paras 3-4; *Pizzaiolo*, above at para 24. It was incumbent on the TMOB, therefore, to consider adequately whether both the registered trademark NAKED GRAPE and the applied for trademark THE NAKED TURTLE could be presented in a format that would create an opportunity for consumer confusion. The TMOB failed to do this when assessing the degree of resemblance in two paragraphs regarding the '944 Application for THE NAKED TURTLE and in one paragraph regarding the '265 Application for THE NAKED TURTLE Design –front label. I disagree that the decision in *Domaines Pinnacle Inc v Constellation Brands Inc*, 2016 FCA 302 [*Domaines Pinnacle*] at paras 10-11, limits this scope of the TMOB's inquiry to presentations which are probable based on evidence of past use [such as Diageo's use of THE NAKED TURTLE in the United States]. In *Domaines Pinnacle*, the Court concluded that "[it] was not the task of the Board to consider all potential and unidentified uses of the respondents' word mark, **which had been characterized by the Board as weak**" [bold emphasis added]: *Domaines Pinnacle*, above at para 10. In the case before this Court, however, the TMOB found Arterra's trademark NAKED GRAPE well known, if not famous in Canada for wine. Moreover, notwithstanding the above conclusion, the Court in *Domaines Pinnacle* proceeded nonetheless to

assess “the full scope of the rights granted to the registered mark of the respondents” in the next paragraph: *Domaines Pinnacle*, above at para 11.

[63] Neither Arterra’s registration for NAKED GRAPE or Diageo’s application for THE NAKED TURTLE involves any restrictions on how the mark can be displayed or presented, such as size, font, style, colour, or placement [one word over the other]. The TMOB therefore erred palpably in failing to consider that if registered, Diageo would be entitled to display THE NAKED TURTLE word mark with **or without** any accompanying graphics [such as that present in the design mark THE NAKED TURTLE – front label] and in a manner similar to that used by or otherwise available to Arterra and NAKED GRAPE, namely by emphasizing NAKED in its branding. In other words, a registered word mark would not prevent Diageo from emphasizing the term “naked” relative to the terms “the” and “turtle”. As per *Masterpiece* and *Pizzaiolo*, in my view it was incumbent on the TMOB to have considered this when comparing the word mark NAKED GRAPE against the word mark THE NAKED TURTLE. This applies as well, albeit to a lesser degree, to the design mark THE NAKED TURTLE – front label. Limited changes are permitted to design marks [such as enlarging the word NAKED relative to THE and TURTLE, reducing the size of the reclining turtle design, enlarging the word NAKED in the context of the wording THE NAKED RUM CO. on the label], so long as the changes maintain the identity and recognizability and preserve the dominant features of the mark: *Promafil Canada Ltée v Munsingwear Inc* (1992), 44 CPR (3d) 59 (FCA) [*Promafil*] at paras 34-35, 37-38. As further noted by the Federal Court of Appeal, “Canadian law does not incorporate a linear view of trade mark registration but can tolerate ... cautious variations without adverse consequences, if the same dominant features are maintained and the differences are so unimportant as not to mislead

an unaware purchaser”: *Promafil*, above at para 37. Regarding THE NAKED RUM CO. mentioned above, which is an integral part of the design mark THE NAKED TURTLE – front label, I am of the view that there is a great deal of similarity in terms of the degree of resemblance with NAKED GRAPE, such that it enhances the overall degree of resemblance between these two trademarks especially in so far as potential future uses of the trademarks are concerned.

[64] As an additional consideration, I note that, though faint at the moment, the design mark THE NAKED TURTLE – front label incorporates in the lower right corner the design mark DON’T WORRY DRINK NAKED & Design, which is the subject of refused application No. 1,595,872: *Constellation Brands*, above at paras 43-44. It too could be given greater prominence in a future iteration of THE NAKED TURTLE – front label. I further note that, notwithstanding the presence of a reclining turtle image on THE NAKED TURTLE Design – back label, the ‘266 Application was refused because of the prominent, confusing words DON’T WORRY DRINK NAKED: *Arterra Wines*, above at paras 52-53.

[65] In sum, I am of the view that the TMOB made the following palpable errors which cumulatively are overriding:

- Viewing THE NAKED TURTLE as a unitary phrase but not NAKED GRAPE;
- Finding the trademarks “more different than alike”;
- Dissecting Arterra’s trademark and discounting the word GRAPE, notwithstanding the finding that NAKED GRAPE is well known, if not famous in Canada for wine;
- Assigning different ideas to the word NAKED;
- Failing to consider possible future presentations of the parties’ marks.

Accordingly, as this Court has a complete record on which to make a redetermination and in order to avoid further protracting the proceedings between these parties, I believe that the interests of justice would be served by this Court deciding the matter, rather than sending it back to the TMOB: *Masterpiece*, above at para 103. This entails redetermining the degree of resemblance and then reweighing the TMOB's findings on the other TMA s 6(5) factors, in respect of which I found no palpable and overriding error and with which I agree, to answer the penultimate question, as of the date of my decision: as a matter of first impression would the "casual consumer somewhat in a hurry", who sees Diageo's trademarks, when that consumer has no more than an imperfect recollection of any one of Arterra's trademarks, be likely to be confused; that is, would such consumer be likely to think that Diageo was the same source of alcoholic beverages [rum on the one hand and wines on the other] as Arterra?

[66] I find that there is a degree of resemblance between Arterra's word and design trademarks, on the one hand, and Diageo's word and design trademarks, on the other, by reason of the "shared" component NAKED, which is striking in both parties' marks and the first significant component. This is reinforced by the design marks, where the word NAKED appears over or above the next word of each party's mark. Even with Diageo's new evidence, in my view there still remains insufficient evidence to conclude the term "naked" is so common in the applicable channel of trade, whether the alcoholic industry writ-large or the wine industry more narrowly, that it dilutes the mark for being common. In my view, the word NAKED in all the marks in issue conveys a risqué connotation of playfulness or cheekiness. The word also conveys the somewhat similar ideas respectively of a skinless grape and a shell-less or bare turtle. Moreover, while the term and the design of a "turtle" may be unique in the alcoholic beverage



industry, in my view this element could be diminished stylistically, through formatting, in favour of placing even more emphasis on the term “naked”.

[67] I further find that both the word and design marks of the respective parties would be pronounced or sounded as two words – NAKED GRAPE in the case of Arterra, and NAKED TURTLE in the case of Diageo. The latter is reinforced by the design mark THE NAKED TURTLE – front label, which displays the words THE NAKED TURTLE at the top, with the word THE in a much smaller and different font than the words NAKED TURTLE. In other words, in my view a casual consumer somewhat in a hurry, when confronted with Diageo’s design mark, would perceive the product as, and call it NAKED TURTLE rum. I also note that the design marks of the respective parties, that is NAKED GRAPE & Grape Design in the case of Arterra and THE NAKED TURTLE – front label in the case of Diageo, involve a rounded design centred underneath the main words of each mark. On closer scrutiny, one is the design of a grape while the other is a reclining turtle under palm trees. As noted by the TMOB, “the average consumer is only going to be taking casual care to observe that which is staring them in the face”: *Arterra Wines*, above at para 28. In discussing the “mythical consumer” of average intelligence “buying ordinary run-of-the-mill consumer wares and services” the Supreme Court of Canada in *Mattel* concluded: “The standard is not that of people ‘who never notice anything’ but of persons who take no more than ‘ordinary care to observe that which is staring them in the face’ . . . . However, if ordinary casual consumers somewhat in a hurry are likely to be deceived about the **origin of the wares or services**, then the statutory test [for likely confusion] is met” [bold emphasis added]: *Mattel*, above at para 58, citing *Coombe*, above at 717.

[68] In the end, I find there is sufficient resemblance between Arterra's trademark NAKED GRAPE, including the design versions, and Diageo's word mark the NAKED TURTLE, that source confusion as contemplated by TMA s 6(2) is likely. It is not a question about someone mistaking rum for wine, but rather the casual consumer somewhat in a hurry, and having an imperfect recollection of Arterra's NAKED GRAPE product, mistakenly believing the source of THE NAKED TURTLE product is the same as the NAKED GRAPE product.

[69] Though I have some doubt as to the degree of resemblance as between NAKED GRAPE and the design mark THE NAKED TURTLE – front label, I find the doubt resolved and balance tipped in favour of Arterra for several reasons, including the findings that: NAKED GRAPE is well known, if not famous in Canada for wine [the length of time in use factor – TMA s 6(5)(b) clearly favours Arterra]; wine and rum are part of one industry – the alcoholic beverages industry [the goods are in the same general class, and the applicable channels of trade potentially overlap – TMA ss 6(2) and 6(5)(c) and (d)]; and potential future displays or presentations of the trademarks [the scope of rights registration of its marks would afford Diageo, including the ability to emphasize the term “naked” above all other segments of the marks]. I note that neither parties' marks are restricted in terms of the applicable channels of trade and I agree with the TMOB regarding the potential for overlap.

[70] In light of the above finding regarding the likelihood of confusion, this bears on the TMA ss 16(3) and 2 grounds of opposition. The TMOB noted the correct material dates, that is for the TMA s 16(3)(a) and (b) grounds - the priority or deemed filing date of December 21, 2011 in respect of the '944 Application and the filing date of August 30, 2012 in respect of the '265

Application; and for the TMA s 2 ground – the date of filing of the Statement of Opposition, being June 25, 2013 in respect of the ‘944 Application and November 29, 2013 in respect of the ‘265 Application. Having regard to the sales and advertising data provided by Arterra, as summarized at para 24 of the TMOB’s decision, in my view the TMOB’s various findings summarized above, including that NAKED GRAPE is well known if not famous in Canada for wine, are not impacted by the material dates applicable to these grounds. Accordingly, I reach the same conclusion regarding the likelihood of confusion regarding these grounds as under the TMA s 12(1)(d) ground. In other words, Diageo’s applications are refused by reason of these grounds as well.

#### VIII. Conclusion

[71] I am not persuaded that Diageo has met its legal onus of proving, on a balance of probabilities, there is no reasonable likelihood of confusion. As a consequence, Arterra’s appeal is allowed; the TMOB’s decision is overturned in respect of trademark application Nos. 1,561,944 for THE NAKED TURTLE and 1,592,265 for THE NAKED TURTLE Design – front label; and the Registrar is directed to refuse these trademark applications pursuant to TMA s 38(8).

#### IX. Costs

[72] Following the hearing of this matter on December 3, 2019, the parties submitted to this Court their agreement that the successful party is to be awarded \$5,000.00, inclusive of disbursements, legal fees and taxes. This amount therefore is awarded to Arterra.



**JUDGMENT in T-23-19**

**THIS COURT’S JUDGMENT is that:**

1. The appeal is allowed.
2. The October 31, 2018 decision of the Trademarks Opposition Board is overturned in respect of trademark application Nos. 1,561,944 for THE NAKED TURTLE and 1,592,265 for THE NAKED TURTLE Design – front label.
3. The Registrar of Trademarks is directed to refuse trademark application Nos. 1,561,944 for THE NAKED TURTLE and 1,592,265 for THE NAKED TURTLE Design – front label pursuant to subsection 38(8) of the *Trademarks Act*.
4. The Respondent shall pay costs to the Applicant in the amount of \$5,000.

“Janet M. Fuhrer”

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Judge

**Annex A – Particulars of Opposition Grounds**

- (a) The application does not comply with the requirements of section 30(e) of the *Trade-marks Act*, RSC 1985, c T-13 (Act) as the Applicant does not, by itself or through a licensee, or by itself and through a licensee, intend to use the Mark in Canada.
- (b) The application does not comply with the requirements of section 30(i) of the Act as the Applicant cannot be satisfied that it is entitled to use the Mark in Canada with the Goods because at the date of the application, the Applicant had known that the Opponent's NAKED GRAPE trade-marks were the subject of earlier filed applications resulting in registrations and were used with wines.
- (c) The Mark is not registrable pursuant to section 12(1)(d) of the Act as it is confusing with one or more of the following registrations:

|            |                            |
|------------|----------------------------|
| TMA659,543 | NAKED GRAPE                |
| TMA720,829 | NAKED GRAPE & Grape Design |
| TMA795,352 | NAKED GRAPE FIZZ           |

- (d) The Applicant is not the person entitled to register the Mark in view of sections 16(3)(a) of the Act since the Mark was confusing with the Opponent's trade-marks set out below:
- NAKED GRAPE for wines, wine spritzers and icewines
- NAKED GRAPE and Design for wine
- NAKED GRAPE FIZZ for wine
- (e) The Applicant is not the person entitled to register the Mark in view of sections 16(3)(b) of the Act since the Mark was confusing with the Opponent's trade-mark applications set out below:
- Appl. No. 1,499,101 for NAKED GRAPE SPRITZER MORNING MIMOSA
- Appl. No. 1,499,100 for NAKED GRAPE SPRITZER SUNSET SANGRIA
- [This ground is applicable only to the '944 Application.]
- (f) The Mark is not distinctive of the Goods of the Applicant since it does not distinguish the Goods in association with which it is proposed to be used from the goods of the Opponent.

**Annex B – Applicable Provisions**

[73] The Federal Court has appeal jurisdiction:

**Trademarks Act, RSC 1985, c T-13  
[2002-12-31 to present]**

**56 (1)** An appeal lies to the Federal Court from any decision of the Registrar under this Act within two months from the date on which notice of the decision was dispatched by the Registrar or within such further time as the Court may allow, either before or after the expiration of the two months.

...

**(5)** On an appeal under subsection (1), evidence in addition to that adduced before the Registrar may be adduced and the Federal Court may exercise any discretion vested in the Registrar.

**57 (1)** The Federal Court has exclusive original jurisdiction, on the application of the Registrar or of any person interested, to order that any entry in the register be struck out or amended on the ground that at the date of the application the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark.

**Loi sur les marques de commerce, LRC (1985), ch T-13  
[2002-12-31 au présent]**

**56 (1)** Appel de toute décision rendue par le registraire, sous le régime de la présente loi, peut être interjeté à la Cour fédérale dans les deux mois qui suivent la date où le registraire a expédié l’avis de la décision ou dans tel délai supplémentaire accordé par le tribunal, soit avant, soit après l’expiration des deux mois.

...

**(5)** Lors de l’appel, il peut être apporté une preuve en plus de celle qui a été fournie devant le registraire, et le tribunal peut exercer toute discrétion dont le registraire est investi.

**57 (1)** La Cour fédérale a une compétence initiale exclusive, sur demande du registraire ou de toute personne intéressée, pour ordonner qu’une inscription dans le registre soit biffée ou modifiée, parce que, à la date de cette demande, l’inscription figurant au registre n’exprime ou ne définit pas exactement les droits existants de la personne paraissant être le propriétaire inscrit de la marque.

[74] “Confusing” and “Distinctive” are terms of art defined in the Trademarks Act:

**Trademarks Act, RSC 1985, c T-13  
[2002-12-31 to present]**

**2 confusing**, when applied as an adjective to a trademark or trade name, means, except in sections 11.13 and 11.21, a

**Loi sur les marques de commerce,  
LRC (1985), ch T-13  
[2002-12-31 au présent]**

**2 créant de la confusion** Relativement à une marque de commerce ou un nom commercial, s’entend au sens de l’article

trademark or trade name the use of which would cause confusion in the manner and circumstances described in section 6; (créant de la confusion)

**2 distinctive**, in relation to a trademark, describes a trademark that actually distinguishes the goods or services in association with which it is used by its owner from the goods or services of others or that is adapted so to distinguish them; (distinctive)

6. (confusing)

**2 distinctive** Relativement à une marque de commerce, celle qui distingue véritablement les marchandises ou services en liaison avec lesquels elle est employée par son propriétaire, des marchandises ou services d'autres propriétaires, ou qui est adaptée à les distinguer ainsi. (distinctive)

[75] The TMA places restrictions on registerability:

**Trademarks Act, RSC 1985, c T-13  
[2002-12-31 to present]**

**12 (1)** Subject to section 13, a trade-mark is registrable if it is not

**(d)** confusing with a registered trade-mark;

...

**16 (3)** Any applicant who has filed an application in accordance with section 30 for registration of a proposed trade-mark that is registrable is entitled, subject to sections 38 and 40, to secure its registration in respect of the goods or services specified in the application, unless at the date of filing of the application it was confusing with

**(a)** a trade-mark that had been previously used in Canada or made known in Canada by any other person;

**Loi sur les marques de commerce,  
LRC (1985), ch T-13  
[2002-12-31 au présent]**

**12 (1)** Sous réserve de l'article 13, une marque de commerce est enregistrable sauf dans l'un ou l'autre des cas suivants:

**d)** elle crée de la confusion avec une marque de commerce déposée;

...

**16 (3)** Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce projetée et enregistrable, a droit, sous réserve des articles 38 et 40, d'en obtenir l'enregistrement à l'égard des marchandises ou services spécifiés dans la demande, à moins que, à la date de production de la demande, elle n'ait créé de la confusion:

**a)** soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;



[76] The TMA describes the required confusion analysis:

**Trademarks Act, RSC 1985, c T-13  
[2002-12-31 to 2019-06-16]**

**6 (1)** For the purposes of this Act, a trade-mark or trade-name is confusing with another trade-mark or trade-name if the use of the first mentioned trade-mark or trade-name would cause confusion with the last mentioned trade-mark or trade-name in the manner and circumstances described in this section.

**(2)** The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the goods or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class.

**(3)** The use of a trade-mark causes confusion with a trade-name if the use of both the trade-mark and trade-name in the same area would be likely to lead to the inference that the goods or services associated with the trade-mark and those associated with the business carried on under the trade-name are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class.

**(4)** The use of a trade-name causes

**Loi sur les marques de commerce,  
LRC (1985), ch T-13  
[2002-12-31 au 2019-06-16]**

**6 (1)** Pour l'application de la présente loi, une marque de commerce ou un nom commercial crée de la confusion avec une autre marque de commerce ou un autre nom commercial si l'emploi de la marque de commerce ou du nom commercial en premier lieu mentionnés cause de la confusion avec la marque de commerce ou le nom commercial en dernier lieu mentionnés, de la manière et dans les circonstances décrites au présent article.

**(2)** L'emploi d'une marque de commerce crée de la confusion avec une autre marque de commerce lorsque l'emploi des deux marques de commerce dans la même région serait susceptible de faire conclure que les produits liés à ces marques de commerce sont fabriqués, vendus, donnés à bail ou loués, ou que les services liés à ces marques sont loués ou exécutés, par la même personne, que ces produits ou ces services soient ou non de la même catégorie générale.

**(3)** L'emploi d'une marque de commerce crée de la confusion avec un nom commercial, lorsque l'emploi des deux dans la même région serait susceptible de faire conclure que les produits liés à cette marque et les produits liés à l'entreprise poursuivie sous ce nom sont fabriqués, vendus, donnés à bail ou loués, ou que les services liés à cette marque et les services liés à l'entreprise poursuivie sous ce nom sont loués ou exécutés, par la même personne, que ces produits ou services soient ou non de la même catégorie générale.

**(4)** L'emploi d'un nom commercial crée

confusion with a trade-mark if the use of both the trade-name and trade-mark in the same area would be likely to lead to the inference that the goods or services associated with the business carried on under the trade-name and those associated with the trade-mark are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class.

**(5)** In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including

- (a)** the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;
- (b)** the length of time the trade-marks or trade-names have been in use;
- (c)** the nature of the goods, services or business;
- (d)** the nature of the trade; and
- (e)** the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.

de la confusion avec une marque de commerce, lorsque l'emploi des deux dans la même région serait susceptible de faire conclure que les produits liés à l'entreprise poursuivie sous ce nom et les produits liés à cette marque sont fabriqués, vendus, donnés à bail ou loués, ou que les services liés à l'entreprise poursuivie sous ce nom et les services liés à cette marque sont loués ou exécutés, par la même personne, que ces produits ou services soient ou non de la même catégorie générale.

**(5)** En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris:

- a)** le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;
- b)** la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;
- c)** le genre de produits, services ou entreprises;
- d)** la nature du commerce;
- e)** le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

## Annex C – Summary of Parties’ Evidence

### *Evidence Before the Trade-mark Opposition Board*

[1] Arterra submitted the following:

- A. **Affidavit of Steven Bolliger dated March 7, 2014:** Steven Bolliger was the Senior Vice President, Marketing at Constellation Canada, Canada’s largest producer, marketer, and distributor of wines. Mr. Bolliger explained the NAKED GRAPE line of wines, which included nine traditional wines and four wine spritzers, have been available in Canada since October 2005, and that all labels prominently featured the term “naked” separate from the term “grape”. He further explained NAKED GRAPE wines have enjoyed a substantial degree of popularity and high volume of sales across Canada (except for Quebec, the Yukon, and Nunavut), including receiving four awards; and that they have been promoted and marketed prominently across Canada (almost \$11.2 million spent between 2006-2013) on television, radio, and in print (both traditional and digital). Mr. Bolliger attested to Constellation Canada’s efforts to enforce the NAKED GRAPE trademark in other contexts, including successful oppositions against THE THREE OLIVES NAKED (Vodka, Application No. 1,404,426) and CHARDONAKED (Wine and Wine Coolers, Application No. 1,374,988). He asserted there is a possibility of confusion between NAKED GRAPE and THE NAKED TURTLE, emphasizing the two use similar advertising techniques, namely “that of being undressed” and emphasizing the “naked” aspect of the branding.
- B. **Affidavit of Steven Bolliger dated July 25, 2014:** This affidavit is substantially the same as the above, with the exception of updated marketing budgets (an increase to \$12.7 million between 2006-2014) and examples. I note Mr. Bolliger was not cross-examined on this subsequent affidavit.

[2] Diageo submitted the following:

- A. **Affidavit of Bruce Wallner dated April 2, 2015:** Bruce Wallner had 12 years experience as a Sommelier and an additional 6 years experience as a Master Sommelier, for which he won awards and participated in international competitions. He also is the

creator and director of The Sommelier Factory, Canada's top Sommelier training facility. He was retained to provide an expert opinion on the meaning of the term "naked" in connection with wine, spirits, other beverages; how wine and alcoholic beverages are typically marketed and sold in Canada; and whether, based on marketing and selling practices in Canada, a consumer is likely to assume a connection between NAKED GRAPE wine and THE NAKED TURTLE rum. Mr. Wallner assumed THE NAKED TURTLE will be sold in Canada under a similar type of bottle and similar label as is currently being used in the USA. He concluded the term "naked" is a descriptor which means "honest, transparent, sensitive" for wine, "pure, unadulterated, and usually unoaked" for spirits, or "fresh and natural" for juices. Finding wine and spirits are often sold in different areas of stores and displayed in different areas on menus/drink lists, Mr. Wallner concluded it was "highly unlikely ... that purchasers of alcoholic beverages in Canada [would] mistakenly order THE NAKED TURTLE brand rum thinking it [was] a wine, or that it is in any way connected with NAKED GRAPE wines from Constellation".

- B. Affidavit of Scott Schilling dated April 8, 2015:** Scott Schilling is the Vice President, Spirits and Innovation at Diageo [since April 2012], and was previously the Innovation Director. He described THE NAKED TURTLE product, and explained how it has been marketed and promoted in the USA since its launch in 2012, including on the internet where it was accessible to Canadian consumers. He asserted sales, advertising, and promotional activities for THE NAKED TURTLE always featured the word mark together with a relaxed, shell-less turtle wearing sunglasses, usually reclining in a hammock between two palm trees, and that Diageo's intention was to market and sell THE NAKED TURTLE rum using turtle-themed labels and advertising in a similar manner, in order to leverage the significant reputation and goodwill it has built in the USA. Mr. Schilling further noted THE NAKED TURTLE currently co-exists with twenty alcoholic beverage product with marks that include the term "naked" in the USA market, including THE NAKED GRAPE wine owned by Gallo Winery. He was not aware of any confusion arising from such co-existence.
- C. Affidavit of Dane Penney dated April 9, 2015:** Dane Penney is a Trademark Search Specialist employed by Diageo's counsel, Bereskin & Parr LLP. He provided copies of

trademarks applications or registrations in the USA indexed under the term “naked” in association with Class 32 [non-alcoholic beverages and beers] and Class 33 [alcoholic beverages, except beers], up to April 8, 2015 [April 2, 2015 for complete filings]. He also provided examples of products containing the term “naked” listed on various provincial liquor websites on March 30, 2015, except for products directly identified as NAKED GRAPE. Given his experience, he believed the term “naked” is descriptive and would be understood to describe wines not aged in oak barrels that are made “with minimal chemical and technological intervention”.

- D. **Affidavit of Peterson Eugenio dated April 9, 2015:** Peterson Eugenio is a Trademark Searcher employed by Diageo’s counsel, Bereskin & Parr LLP. He provided copies of trademark applications or registrations in the USA indexed under the term “naked” in association with Class 32 [non-alcoholic beverages and beers] and Class 33 [alcoholic beverages, except beers], up to April 9, 2015 [April 2, 2015 for complete filings]. He also identified which trademarks were described as “wine” or “spirits”, and provided printouts of the websites that mentioned these trademarks where possible.
- E. **Affidavit of Peterson Eugenio dated August 10, 2015:** Peterson Eugenio conducted the same searches as in his previous affidavit, but included searches up to August 8, 2015 [August 3, 2015 for complete filings].
- F. **Affidavit of Scott Schilling dated August 21, 2015:** Scott Schilling was promoted to Senior Vice President, North American Innovation at Diageo, in July 2015. This affidavit is substantially similar to his affidavit dated April 8, 2015.

*New Evidence on Appeal*

[3] Arterra submitted the following:

- A. **Affidavit of Steven Bolliger dated February 4, 2019:** Steven Bolliger was the Senior Vice President of Marketing for Arterra as of the date of his affidavit; during cross-examination, it came to light that he retired soon afterward. He noted Arterra owns four trademarks that include the distinctive term “naked”, all of which are associated with wine. This included a newly-registered trademark for NAKED GRAPE Design

(TMA999,626), registered eight days post-TMOB hearing but use of which he attests was before the TMOB as a surrounding circumstance. To address evidentiary deficiencies identified by the TMOB in connection with the alleged family of trademarks, Mr. Bollinger also provided sales figures and invoices for NAKED GRAPE FIZZ, sold in Canada since 2012 and demonstrating \$5.27 million in sales since then. Notably, NAKED GRAPE FIZZ has been sold exclusively in Ontario since 2014; only the sparkling white varietal has been available since 2015.

- B. Affidavit of Jason Williams dated February 4, 2019:** Jason Williams is a private investigator with Integra Investigation Services Ltd.. Mr. Williams provided examples of his search results for alcoholic beverage products whose names contained animal names from each official provincial liquor website, and examples of products containing animal names in their title on sale at an LCBO [Liquor Control Board of Ontario] in Toronto. He explains he ceased searching in a province after reaching 100 products, and limited examples of the same brand but different products thereof [for example, Wolf Blass sauvignon blanc and Wolf Blass chardonnay].

[4] Diageo submitted the following:

- A. Affidavit of William Joynt dated March 12, 2019:** William Joynt is the owner of William Joynt Investigations Ltd., a private investigation company, and he has over 25 years' industry experience. He provides examples of products that use the term "naked" or a variation [for example, "Nakd"] for (i) beverage, food, and snack products; (ii) restaurants, cafés, and health food stores; and (iii) cookbooks, recipes, and food blogs, which he either located online for sale in Canada or located available for sale in Canadian stores. He confirmed that although he forgot to include the shipping information page for the internet-based searches, Lori-Anne DeBorba's Affidavit dated March 12, 2019 applies to the applicable products.
- B. Affidavit of Lori-Anne DeBorba dated March 12, 2019:** Lori-Anne DeBorba is a senior litigation law clerk employed by Diageo's counsel, Bereskin & Parr LLP. She provides shipping information demonstrating William Joynt's internet-identified products were available in Canada on March 8, 2019.

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-23-19

**STYLE OF CAUSE:** ANTERRA WINES CANADA, INC. v DIAGEO NORTH AMERICA, INC.

**PLACE OF HEARING:** TORONTO, ONTARIO

**DATE OF HEARING:** DECEMBER 3, 2019

**JUDGMENT AND REASONS:** FUHRER J.

**DATED:** APRIL 9, 2020

**APPEARANCES:**

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